

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION FOR APPROVAL OF)	
TRANSFER OF ASSETS FROM TELEDIAL)	
AMERICA, INC. D/B/A U.S. SIGNAL)	CASE NO. 95-549
TO LCI INTERNATIONAL TELECOM)	
CORP. AND RELATED TRANSACTIONS)	

O R D E R

On January 9, 1996, LCI International Telecom Corporation ("LCI Telecom"), LCI Telemanagement Corporation ("LCI Telemanagement"), LCI International Management Services, Inc. ("LCIM"), and Teledial America, Inc. d/b/a/ U.S. Signal ("Teledial") (hereinafter collectively referred to as "Joint Applicants") filed an application (the "Application") pursuant to KRS 278.020(4) and (5) for Commission approval of the transfer of substantially all of Teledial's assets to LCI Telecom and the merger of LCI Telemanagement into LCI Telecom. In addition, pursuant to KRS 278.300, LCI Telecom and LCI Telemanagement request authority to guarantee the proposed increased credit facility of LCI International, Inc. ("LCI International"), the ultimate corporate parent of the LCI family of companies. On January 18, 1996, Joint Applicants amended the Application to increase to \$700 million the funds to be available pursuant to the credit facility they propose to guarantee.

Teledial, a privately-held Michigan corporation, was authorized by the Commission to resell telecommunications service

in Case No. 93-094.¹ LCI Telecom, a Delaware corporation, provides telecommunications services internationally as well as in 48 states, including Kentucky.² LCI Telecom is a wholly-owned subsidiary of LCIM which is, in turn, wholly-owned by LCI International. LCI Telemanagement, a Delaware corporation which is wholly-owned by LCI International, was formed for the purpose of facilitating the acquisition of the Corporate Telemanagement Group, Inc. in September 1995. LCI Telemanagement was authorized to provide telecommunications services in Kentucky in Case No. 95-248.³

THE PROPOSED TRANSFER AND MERGER

Pursuant to KRS 278.020(4), all persons are required to obtain Commission approval prior to the acquisition or transfer of ownership or control of a utility under the jurisdiction of the Commission. KRS 278.020 (5) prohibits any entity from acquiring control of a utility under the jurisdiction of the Commission without prior approval. The Commission finds that KRS 278.020(4)

¹ Case No. 93-094, Application of Teledial America, Inc. for a Certificate of Public Convenience and Necessity to Provide Interexchange Telecommunications Services as a Facilities Based Nondominant Carrier, Final Order dated July 27, 1993.

² LCI Telecom was authorized to provide service in Kentucky in Case No. 10090, Application of LiTel Telecommunications Corporation for a Certificate of Public Convenience and Necessity to Provide Intrastate Long Distance Telephone Service to the Public in the Commonwealth of Kentucky and for the Establishment of Rates, Final Order dated March 18, 1988.

³ Case No. 95-248, Application for Authority to Transfer Control of Corporate Telemanagement Group, Inc. to LCI International, Inc. and LCI Telemanagement Corp. and to Guarantee an Associated Credit Facility, Final Order dated August 9, 1995.

and (5) are applicable to the proposed transfer of assets of Teledial to LCI Telecom. However, the proposed merger of LCI Telemanagement into LCI Telecom constitutes a corporate reorganization which is exempt from KRS 278.020(5) pursuant to KRS 278.020(6). Consequently, only KRS 278.020 (4), to which there is no exception for corporate reorganization, applies to the proposed merger of LCI Telemanagement into LCI Telecom.

Joint Applicants state that the proposed transfer of Teledial's long-distance business and substantially all of its assets to LCI Telecom, for approximately \$115 million, will be made in a seamless fashion that will not affect the provision of telecommunications services in Kentucky. On January 18, 1996, Joint Applicants filed a signed letter of intent setting forth the proposed terms of the transaction. They also have filed LCI International, Inc.'s most recent financial statements, including its Form 10-K for the fiscal year ended December 31, 1994 and its Form 10-Qs for the first three quarters of 1995, as filed with the Securities and Exchange Commission. In addition, Joint Applicants filed an Adoption Notice pursuant to 807 KAR 5:011, Section 11, in which LCI Telecom adopts the tariff of Teledial in effect on the date it acquires Teledial's business. Joint Applicants state that Teledial's customers will be sent appropriate and timely notice of the transaction.

The Commission finds that the proposed transfer of substantially all of Teledial's assets to LCI Telecom is consistent with the public interest and that it will occur in accordance with

law and for a proper purpose. The Commission has previously found, in Case No. 10090, that LCI Telecom possesses the financial, technical, and managerial abilities to provide reasonable service to the public. Based upon that finding, as well as upon the most recent financial statements of LCI International, Inc., filed by Joint Applicants on January 12, 1996, the Commission finds that the proposed transfer should be approved.

Joint Applicants also request Commission approval of a merger of LCI Telemanagement and LCI Telecom, LCI Telecom to be the surviving entity. Pursuant to the proposed merger, LCI Telecom would be the sole, regulated interexchange service provider of the LCI companies. Joint Applicants state that current LCI Telemanagement customers will not be adversely affected because LCI Telecom plans to amend its tariff to add all of LCI Telemanagement's services at current rate levels. LCI Telecom filed, on January 30, 1996, an Adoption Notice pursuant to 807 KAR 5:011 in which it adopts the tariff of LCI Telemanagement in effect on the date it acquires LCI Telemanagement's business.

As the Commission finds that LCI Telecom possesses the financial, technical, and managerial abilities to provide reasonable telecommunications service to the public, the proposed merger of LCI Telemanagement into LCI Telecom should be approved. Joint Applicants state that the exact timing of the merger is undecided and depends upon various factors, including the receipt of all requisite regulatory approvals. Consequently, LCI Telemanagement should continue to provide service in Kentucky

pursuant to its tariff on file with the Commission until such time as the Commission is notified that the merger is complete.

THE PROPOSED CREDIT FACILITY

Joint Applicants also request approval of the Amended and Restated Credit Agreement to be entered into by LCI International whereby the amount of the existing reducing revolving credit facility⁴ will be increased to \$700 million. Joint Applicants filed, on January 9, 1996, a summary of terms and conditions of the proposed credit facility, and state that the proceeds will be used to refinance existing indebtedness, finance capital expenditures, make permitted acquisitions, provide general working capital for general corporate purposes, and finance the acquisition of Teledial as well as other contemplated transactions. The Credit Facility agreement continues to be managed by First Union National Bank of North Carolina and NationsBank of Texas, N.A. with a syndicate of other financial institutions continuing to participate in the agreement. LCI Telecom and LCI Telemanagement seek Commission approval to act as guarantors of the credit facility.

KRS 278.300(1) provides that no utility shall issue securities or evidence of indebtedness, or assume any obligation or liability in respect to the securities or evidence of indebtedness of any other person until it has been authorized to do so by the Commission. Here, jurisdictional utilities seek to assume

⁴ The credit facility is guaranteed by LCI Telecom and LCI Telemanagement, pursuant to authority granted by the Commission in Case No. 95-248, to an amount of \$500 million.

obligations as guarantors of a credit facility of their corporate parent. Consequently, KRS 278.300 applies, and Commission approval is necessary.

The Commission, having considered the evidence of record and being sufficiently advised, finds that the jurisdictional utilities' assumption of obligations pursuant to the proposed credit facility is for lawful objectives within the corporate purposes of their operations, is necessary and appropriate for and consistent with the proper performance of their service to the public, will not impair their ability to perform that service, is reasonably necessary and appropriate for such purposes, and should therefore be approved.

The Commission, having considered the evidence of record and being sufficiently advised, HEREBY ORDERS that:

1. The proposed transfer of substantially all assets of Teledial to LCI International Telecom Corp. is approved.

2. Joint Applicants shall notify the Commission within 10 days of the date of closing of the transfer of Teledial or, in the alternative, shall notify the Commission if the proposed transaction does not occur.

3. Within 10 days of the closing of the transfer of Teledial, LCI Telecom shall file in its own name the tariff of its predecessor utility.

4. The proposed merger of LCI Telemanagement into LCI Telecom is approved.

5. Joint Applicants shall notify the Commission within 10 days of the closing of the proposed merger of LCI Telemanagement into LCI Telecom or, in the alternative, shall notify the Commission if the proposed transaction does not occur.

6. Within 10 days of the consummation of the proposed merger of LCI Telemanagement into LCI Telecom, LCI Telecom shall file in its own name the tariff of its predecessor utility.

7. Within 10 days of the consummation of the proposed merger of LCI Telemanagement into LCI Telecom, LCI Telecom shall file organizational charts reflecting all of LCI International, Inc.'s Kentucky telecommunications operations, all associated ownership interests, all associated corporate names, and all associated business names.

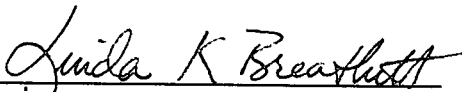
8. LCI Telecom and LCI Telemanagement are authorized, pursuant to KRS 278.300, to assume the obligations of the revolving credit facility described in their Application as amended on January 17, 1996.

9. The proceeds from the transactions authorized herein shall be used only for the lawful purposes as set out in the application.

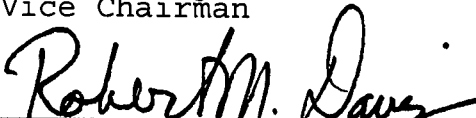
Nothing contained herein shall be construed as a finding of value for any purpose or as a warranty on the part of the Commonwealth of Kentucky or any agency thereof as to the securities authorized herein.

Done at Frankfort, Kentucky, this 9th day of February, 1996.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director